



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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April 4, 2018

Board of Directors  
The Damien Center, Inc.  
26 North Arsenal Avenue  
Indianapolis, IN 46204

We have reviewed the report prepared by The Damien Center, Inc. and opined upon by Blue & Company, LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of The Damien Center, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Blue & Company, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner



**CONSOLIDATED FINANCIAL STATEMENTS**

**AND**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016 AND 2015**

*CPAs / ADVISORS*



**THE DAMIEN CENTER, INC.**

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DECEMBER 31, 2016 AND 2015

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Damien Center, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 2015 Consolidated Financial Statements

The consolidated financial statements of the Organization as of December 31, 2015, were audited by other auditors whose report dated May 20, 2016, expressed an unmodified opinion on those consolidated statements.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information as listed in the accompanying table of contents is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. The accompanying consolidated schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 12, 2017

## THE DAMIEN CENTER, INC.

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

ASSETS		
	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 473,577	\$ 680,713
Grants receivable	332,514	423,201
Accounts receivable, net	324,274	92,695
Prepaid expenses and inventory	60,766	40,691
Total current assets	1,191,131	1,237,300
<b>Property and equipment</b>		
Land	177,378	177,378
Building and improvements	2,252,211	2,250,372
Furnishings and equipment	392,681	369,996
Technology	272,187	270,947
Automobiles	27,852	27,852
	3,122,309	3,096,545
Less accumulated depreciation	1,138,013	1,002,996
Total property and equipment, net	1,984,296	2,093,549
Total assets	\$ 3,175,427	\$ 3,330,849
LIABILITIES AND NET ASSETS		
<b>Current liabilities</b>		
Accounts payable	\$ 178,236	\$ 160,379
Accrued salaries and related expenses	120,840	124,399
Current portion of capital leases	8,126	3,895
Total current liabilities	307,202	288,673
<b>Long-term debt</b>		
Capital leases, net of current portion	25,367	4,278
Total liabilities	332,569	292,951
<b>Net assets</b>		
Unrestricted	2,456,064	2,653,499
Unrestricted - board designated	100,000	100,000
Total unrestricted net assets	2,556,064	2,753,499
Temporarily restricted	286,794	284,399
Total net assets	2,842,858	3,037,898
Total liabilities and net assets	\$ 3,175,427	\$ 3,330,849

See accompanying notes to the consolidated financial statements.

## THE DAMIEN CENTER, INC.

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Operating revenue and public support</b>		
Special events	\$ 285,215	\$ 299,952
Less cost of direct benefits to donors	(42,052)	(47,131)
Net special events	243,163	252,821
Grant service contracts	3,383,854	3,464,525
Medical assistance program	627,032	670,112
Contract fees	251,671	191,857
Bequests and contributions	306,752	334,800
United Way of Central Indiana, Inc.		
Allocation and donor designated	78,399	70,147
General operations	47,909	51,347
Private grants	285,717	523,958
In-kind	151,562	66,180
Miscellaneous	1,448	1,570
Net assets released from restriction	100,090	194,147
Total operating revenue and public support	5,477,597	5,821,464
<b>Operating expenses</b>		
Salaries and fringe benefits	2,901,088	2,541,457
Emergency assistance	1,382,497	1,333,194
Contract labor	37,949	220,865
Professional services and fees	422,407	330,411
Events	13,833	38,736
Program materials and supplies	181,771	73,244
Travel and communication	68,968	74,760
Advertising and promotion	53,191	125,824
Printing and postage	24,740	19,435
Office supplies and expendables	48,900	57,554
Insurance	58,452	43,170
Facility maintenance and utilities	116,757	113,358
Depreciation	148,636	101,547
Miscellaneous	64,281	20,421
In-kind	151,562	66,180
Total operating expenses	5,675,032	5,160,156
Change in unrestricted net assets	(197,435)	661,308
<b>Temporarily restricted net assets</b>		
Private grants	102,485	50,826
Net assets released from restriction	(100,090)	(194,147)
Change in temporarily restricted net assets	2,395	(143,321)
Change in net assets	(195,040)	517,987
<b>Net assets</b>		
Beginning of year	3,037,898	2,519,911
End of year	\$ 2,842,858	\$ 3,037,898

See accompanying notes to the consolidated financial statements.

**THE DAMIEN CENTER, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<b>Operating activities</b>		
Change in net assets	\$ (195,040)	\$ 517,987
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	148,636	101,548
Bad debt	22,914	-0-
Changes in operating assets and liabilities		
Grants receivable	90,687	(90,776)
Accounts receivable	(254,493)	(45,112)
Prepaid expenses and inventory	(20,075)	141,999
Accounts payable	17,857	(558,339)
Accrued salaries and related expenses	(3,559)	(3,912)
Net cash flows from operating activities	(193,073)	63,395
<b>Investing activities</b>		
Purchase of property and equipment	(5,890)	(414,812)
<b>Financing activities</b>		
Capital lease payments	(8,173)	(3,547)
Net change in cash and cash equivalents	(207,136)	(354,964)
<b>Cash and cash equivalents</b>		
Beginning of year	680,713	1,035,677
End of year	\$ 473,577	\$ 680,713
<b>Supplemental disclosures of cash flows information</b>		
Cash paid for interest	\$ 9,412	\$ 1,183
<b>Noncash investing and financing activities</b>		
Property acquired through capital lease	\$ 33,493	\$ -0-

See accompanying notes to the consolidated financial statements.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Damien Center, Inc. (the Center) is a non-profit entity incorporated on April 1, 1987, under the laws of the State of Indiana and commenced operations in June 1987. The Center provides and coordinates services for persons living with or affected by Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) in the Indianapolis community and actively advocates for a just and compassionate response to their needs. In so doing, the Center serves as a comprehensive center for the education, counseling, and support of HIV and AIDS infected individuals (and their families and friends) within the Indianapolis community. The Center's revenue and support are from reimbursed cost and fee for service contracts with the U.S. Department of Health and Human Services, Indiana State Department of Health, Marion County Health Department, the City of Indianapolis, and Corporation for National and Community Service.

#### Principles of Consolidation

The accompanying consolidated financial statements of the Center include the financial statements of the Center and its affiliates, Damien Cares, Inc. (the Clinic), 1416 East Washington, LLC (1416 East) and 29 East Apartments, Inc. (29 East). These entities are collectively referred to as the "Organization". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Center has control and economic interest in the Clinic and 29 East and is the sole member of 1416 East. The Clinic is a not-for-profit entity formed in August 2015 whose mission is to provide medical services to HIV affected individuals, including those who are clients of the Center. 29 East is a for-profit company founded in 2013 whose purpose is to acquire, hold and lease property for low-income housing. 1416 East is a Limited Liability Company (LLC) founded in 2015 whose purpose is to acquire, hold, and lease real property.

A description of the Organization's more significant program services is as follows:

#### Care Coordination

Care Coordination is comprehensive, specialized, free case management that connects individuals living with HIV to the resources they need to live long, fulfilling lives. Care coordinators help individuals access medical care, housing support, and other services and programs.

#### Housing & Emergency Assistance

Housing and Emergency Assistance helps clients have safe, stable, and affordable housing and incidental assistance such as utilities, transportation to medical appointments, medication copays, food, and other necessities.

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## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Prevention Services

Prevention services reaches out to local communities to provide education and assistance with accessing services, speaking in classrooms, or providing HIV 101 education to employers. Prevention services contributes to create a community that is more informed about how HIV affects everyone.

#### Client Services

The Clinic provides services funded by the Ryan White Parts A and C Services Grant. These include primary, infectious disease, and psychiatric outpatient care and treatment and HIV counseling and testing services.

#### Medical Assistance

The Medical Assistance Program provides clients with financial assistance with medication copays. To ensure compliance with medication regimens, this Program provides monthly assistance for clients who have no other financial resources to pay for medication copays.

#### Capacity Building

The Organization's capacity building initiative expands programmatic and organizational capacities to develop and enhance impactful, outcome driven programs and services for those individuals affected by HIV/AIDS. These capacities include adding two infectious disease/primary care nurse practitioners, a psychiatric nurse practitioner, billing and code specialists, medical exam rooms, plumbing upgrades, lab room, website/marketing, and phone and computer equipment.

#### Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly, reflect all significant receivables, payables, and other liabilities.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period and could differ from actual results.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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### Cash and Cash Equivalents and Statements of Cash Flows

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of reporting consolidated cash flows. No cash was paid for income taxes during 2016 and 2015.

### Grants and Accounts Receivable and Revenue Recognition

Grant service revenue and the related grants receivable are recorded at the time services are performed. Accounts receivable are recorded at net contracted amounts. Medical assistance program revenue is reported at the estimated net realizable amounts due from contracted pharmacies for services rendered and includes estimated retroactive adjustments under reimbursement agreements with pharmacies.

Grants and accounts receivable are reduced by an allowance for uncollectible accounts based on the Organization's evaluation of the aging of the accounts, historical losses, current economic conditions, and other factors unique to its clients and service area. As of December 31, 2016 and 2015, there were no allowances for grants receivable as management expects to fully collect these balances. The allowance for uncollectible accounts for accounts receivable was approximately \$23,000 and \$-0- as of December 31, 2016 and 2015, respectively.

The Organization derives a significant portion of its revenue from Federal and state funding programs. The receipt of future revenues by the Organization is subject to among other factors, Federal and state policies affecting the Organization's mission, economic conditions that may include an inability to control expenses in periods of inflation and other conditions which are impossible to predict.

### Inventory

Inventories, which consist mainly of vaccines, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

### Property and Equipment

Assets are recorded at historical cost or, if contributed, at the estimated fair value at the date of the gift. The Organization capitalizes additions of fixed assets in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets.

Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of activities and changes in net assets.

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## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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The following table summarizes the estimated useful lives of property and equipment

	<u>Years</u>
Building and improvements	7-40
Furnishings and equipment	3-15
Technology	3-7
Automobiles	5

#### Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets:* Undesignated - net assets are not subject to donor-imposed stipulations or Board of Director imposed restrictions. Designated - net assets are subject to stipulations and designations imposed by the Board of Directors and determined to be unavailable for general use. The Organization reported board designated net assets of \$100,000 as of December 31, 2016 and 2015 for the Client Assurance Fund which provides financial assistance and support to the Organization's clients.

*Temporarily restricted net assets* - Temporarily restricted net assets are those assets which have donor-imposed restrictions as to time, purpose or both. Temporarily restricted net assets were composed of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Client services	\$ 146,248	\$ 150,000
Other programs including legal services, client education, prevention outreach and testing, and care coordination	125,689	125,689
Food pantry	<u>14,857</u>	<u>8,710</u>
	<u>\$ 286,794</u>	<u>\$ 284,399</u>

*Permanently restricted net assets* - Permanently restricted net assets result from a donor's specification that the assets be invested in perpetuity and that, generally only the income may be used. As of December 31, 2016 and 2015, the Organization had no permanently restricted net assets.

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### In-Kind Contributions

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributions of assets are recognized at fair value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers provide program and fund-raising services throughout the year that are not recognized as contributions in the consolidated financial statements since they do not meet the criteria for recognition. These services include volunteering at events, picking up donations and various clerical work.

#### Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization and are recorded at their fair value as revenues and assets in that same period. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

#### Functional Allocation of Expenses

The costs of providing services to the various programs and other activities are as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 4,829,970	\$ 4,391,764
General and administrative	581,334	528,592
Fundraising	263,727	239,800
	<u>\$ 5,675,032</u>	<u>\$ 5,160,156</u>

Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. Management periodically evaluates its allocation method and revises it when necessary. General and supporting expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Organization. Certain costs have been allocated among the program services, general and administrative and fundraising categories based on the actual direct expenditures and cost allocations based upon time spent by the Organization's personnel. Although the methods used were appropriate, alternative methods may provide different results.

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## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Advertising and Promotion

The Organization incurred approximately \$53,000 and \$126,000 in advertising and promotion expense for 2016 and 2015, respectively. These costs were expensed as incurred.

#### Income Taxes

The Center and the Clinic are not-for-profit organizations exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been reflected in the related consolidated financial statements. Both organizations are required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

1416 East is organized as a LLC, whereby net taxable income is taxed directly to the Center and not 1416 East. Since the Center is the sole member of 1416 East, it is treated as a disregarded entity under the appropriate code of the IRC. As such, the financial activity of 1416 East is included in the Center's Federal Form 990 Return of Organization Exempt from Income Tax.

29 East is a taxable entity and is, therefore, subject to federal and state income taxes. Deferred income tax items related to 29 East are not significant to the overall consolidated financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Organization has filed its federal and state income tax returns through December 31, 2015. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

#### Reclassifications

Certain amounts in the prior-year consolidated financial statements have been reclassified in order to conform with the current year presentation. The reclassifications have no impact on previously reported net assets or change in net assets.

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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#### Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are available to be issued.

#### Subsequent Events

The Organization evaluated events or transactions occurring subsequent to the consolidated statement of financial position date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are available to be issued which is July 12, 2017.

#### Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Organization is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which the Organization is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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The Organization is presently evaluating the effects that these ASUs will have on its future consolidated financial statements, including related disclosures.

### 2. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Organization adopted ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are available to be issued. When conditions or events that raise substantial doubt exist, additional disclosures will be required to enable financial statement users to understand those conditions or events, management's evaluation of them and management's plans that either alleviated substantial doubt, or are intended to mitigate the conditions or events that raise substantial doubt. The adoption of ASU No. 2014-15 did not have a material effect on the accompanying consolidated financial statements.

### 3. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit to support short-term working capital needs, which matures in November 2017. Interest is payable monthly and accrued at the bank's prime rate, 3.75% as of December 31, 2016. Borrowings against the line of credit are secured by substantially all assets of the Organization. As of December 31, 2016 and 2015, there was no outstanding balance on the line of credit.

### 4. LEASES

#### Capital Leases

The Organization leases equipment under capital lease agreements, which require monthly payments of approximately \$1,200 through January 2020. The assets are depreciated over their estimated useful lives of five years. The cost and accumulated depreciation of the equipment under the capital leases as of December 31, 2016 and 2015 are as follows:

	2016	2015
Cost	\$ 44,267	\$ 17,895
Less accumulated depreciation	16,065	10,737
	<u>\$ 28,202</u>	<u>\$ 7,158</u>

## THE DAMIEN CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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The required minimum capital lease payments for the years following December 31, 2016 are as follows:

Year Ending <u>December 31,</u>	
2017	\$ 14,340
2018	14,340
2019	14,340
2020	2,100
Total future minimum lease payments	<u>45,120</u>
Less interest	<u>11,627</u>
	33,493
Less current portion	<u>8,126</u>
Long-term portion	<u>\$ 25,367</u>

Total interest expense under capital leases for 2016 and 2015 was approximately \$9,400 and \$1,200, respectively, and recorded in miscellaneous expenses within the consolidated statements of activities and changes in net assets.

#### Operating Leases

The Organization has various operating leases agreements for equipment and space expiring through 2020. Lease expense related to operating leases 2016 and 2015 was approximately \$25,500 and \$18,000, respectively. The future rental payments under these operating leases are as expected to approximate \$20,000 annually through 2019 and \$10,000 in 2020.

#### **5. CONTRIBUTED MATERIALS AND SERVICES**

The Organization received donated materials and services as follows for 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Charitable auction items	\$ 122,479	\$ 50,778
Printing services	1,000	2,000
Food pantry	28,083	13,402
	<u>\$ 151,562</u>	<u>\$ 66,180</u>

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**THE DAMIEN CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**6. RETIREMENT PLAN**

The Organization has a 403(b) plan for employees who meet certain eligibility requirements. The plan permits eligible employees, through payroll deductions, to contribute up to maximum allowable under the IRC (for 2016 - \$18,000 annually with a catch up contribution of \$6,000 for employees age 50). Matching contributions to the plan are at the discretion of the Organization’s Board of Directors. There were no matching contributions to the plan by the Organization during 2016 and 2015.

**7. RELATED PARTY TRANSACTIONS**

Donations of goods, services, or cash from board members and/or their respective employers totaled approximately \$73,600 and \$13,700 for 2016 and 2015, respectively.

**8. COMMITMENTS AND CONTINGENCIES**

The Organization is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management’s opinion that these matters will be resolved without a material adverse effect on the Organization’s consolidated financial position, results of operations, changes in net assets, and cash flows.

Under the terms of the Federal grants, periodic audits are required and certain costs may be challenged as to allowability under the terms of the grants. Such audits could lead to reimbursements to the Department of Health and Human Services, Department of Housing and Urban Development, and the Corporation for National and Community Service.

**9. LOCAL AND STATE AWARDS**

Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose Federal, state and local awards expended during the entities’ annual reporting period. Federal awards for 2016 are disclosed in the Schedule of Expenditures of Federal Awards. During 2016, the Organization expended the following state and local awards:

<u>Grantor/Program</u>	
Indiana State Department of Health	
State AIDS Care Coordination	\$ 295,004
Indiana State Department of Health	
State AIDS Special Projects	40,527
	<u>\$ 335,531</u>

**SUPPLEMENTARY INFORMATION**

# THE DAMIEN CENTER, INC.

## CONSOLIDATING BALANCE SHEET DECEMBER 31, 2016

<b>ASSETS</b>	The Center	The Clinic	1416 East	29 East	Eliminations	Consolidated
<b>Current assets</b>						
Cash and cash equivalents	\$ 457,855	\$ 14,600	\$ 1,122	\$ -0-	\$ -0-	\$ 473,577
Grants receivable	332,514	-0-	-0-	-0-	-0-	332,514
Accounts receivable, net	-0-	324,274	-0-	-0-	-0-	324,274
Due from related party	514,569	-0-	-0-	-0-	(514,569)	-0-
Prepaid expenses and inventory	23,652	37,114	-0-	-0-	-0-	60,766
Total current assets	<u>1,328,590</u>	<u>375,988</u>	<u>1,122</u>	<u>-0-</u>	<u>(514,569)</u>	<u>1,191,131</u>
<b>Property and equipment</b>						
Land	10,500	-0-	166,878	-0-	-0-	177,378
Building and improvements	2,252,211	-0-	-0-	-0-	-0-	2,252,211
Furnishings and equipment	383,031	9,650	-0-	-0-	-0-	392,681
Technology	272,187	-0-	-0-	-0-	-0-	272,187
Automobiles	27,852	-0-	-0-	-0-	-0-	27,852
	<u>2,945,781</u>	<u>9,650</u>	<u>166,878</u>	<u>-0-</u>	<u>-0-</u>	<u>3,122,309</u>
Less: accumulated depreciation	1,135,279	2,734	-0-	-0-	-0-	1,138,013
Total property and equipment, net	<u>1,810,502</u>	<u>6,916</u>	<u>166,878</u>	<u>-0-</u>	<u>-0-</u>	<u>1,984,296</u>
<b>Investment in subsidiary</b>						
	168,000	-0-	-0-	-0-	(168,000)	-0-
Total assets	<u>\$ 3,307,092</u>	<u>\$ 382,904</u>	<u>\$ 168,000</u>	<u>\$ -0-</u>	<u>\$ (682,569)</u>	<u>\$ 3,175,427</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 71,508	\$ 106,728	\$ -0-	\$ -0-	\$ -0-	\$ 178,236
Accrued salaries and related expenses	104,850	15,990	-0-	-0-	-0-	120,840
Due to related party	-0-	514,569	-0-	-0-	(514,569)	-0-
Current portion of capital leases	6,475	1,651	-0-	-0-	-0-	8,126
Total current liabilities	<u>182,833</u>	<u>638,938</u>	<u>-0-</u>	<u>-0-</u>	<u>(514,569)</u>	<u>307,202</u>
<b>Long-term debt</b>						
Capital leases, net of current portion	19,377	5,990	-0-	-0-	-0-	25,367
Total liabilities	<u>202,210</u>	<u>644,928</u>	<u>-0-</u>	<u>-0-</u>	<u>(514,569)</u>	<u>332,569</u>
<b>Net assets</b>						
Unrestricted	2,718,088	(262,024)	168,000	-0-	(168,000)	2,456,064
Unrestricted - board designated	100,000	-0-	-0-	-0-	-0-	100,000
Total unrestricted net assets	<u>2,818,088</u>	<u>(262,024)</u>	<u>168,000</u>	<u>-0-</u>	<u>(168,000)</u>	<u>2,556,064</u>
Temporarily restricted	286,794	-0-	-0-	-0-	-0-	286,794
Total net assets	<u>3,104,882</u>	<u>(262,024)</u>	<u>168,000</u>	<u>-0-</u>	<u>(168,000)</u>	<u>2,842,858</u>
Total liabilities and net assets	<u>\$ 3,307,092</u>	<u>\$ 382,904</u>	<u>\$ 168,000</u>	<u>\$ -0-</u>	<u>\$ (682,569)</u>	<u>\$ 3,175,427</u>

See Report of Independent Auditors on pages 1 and 2.

## THE DAMIEN CENTER, INC.

### CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2016

	The Center	The Clinic	1416 East	29 East	Eliminations	Consolidated
<b>Operating revenue and public support</b>						
Special events	\$ 285,215	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 285,215
Less cost of direct benefits to donors	(42,052)	-0-	-0-	-0-	-0-	(42,052)
Net special events	243,163	-0-	-0-	-0-	-0-	243,163
Grant service contracts	2,331,448	1,052,406	-0-	-0-	-0-	3,383,854
Medical assistance program	-0-	627,032	-0-	-0-	-0-	627,032
Contract fees	205,129	46,542	-0-	-0-	-0-	251,671
Bequests and contributions	306,737	15	168,000	-0-	(168,000)	306,752
United Way of Central Indiana, Inc.:						
Allocation and donor designated	78,399	-0-	-0-	-0-	-0-	78,399
General operations	47,909	-0-	-0-	-0-	-0-	47,909
Private grants	285,717	-0-	-0-	-0-	-0-	285,717
In-kind	151,562	-0-	-0-	-0-	-0-	151,562
Miscellaneous	26,492	-0-	-0-	-0-	(25,044)	1,448
Monthly services agreement	493,289	-0-	-0-	-0-	(493,289)	-0-
Net assets released from restriction	100,090	-0-	-0-	-0-	-0-	100,090
Total operating revenue and public support	4,269,935	1,725,995	168,000	-0-	(686,333)	5,477,597
<b>Operating expenses</b>						
Salaries and fringe benefits	2,401,449	499,639	-0-	-0-	-0-	2,901,088
Emergency assistance	933,451	449,046	-0-	-0-	-0-	1,382,497
Contract labor	36,118	1,831	-0-	-0-	-0-	37,949
Professional services and fees	281,844	140,563	-0-	-0-	-0-	422,407
Events	13,833	-0-	-0-	-0-	-0-	13,833
Program materials and supplies	30,805	150,966	-0-	-0-	-0-	181,771
Travel and communication	64,415	4,553	-0-	-0-	-0-	68,968
Advertising and promotion	53,191	-0-	-0-	-0-	-0-	53,191
Printing and postage	21,894	2,846	-0-	-0-	-0-	24,740
Office supplies and expendables	30,980	17,920	-0-	-0-	-0-	48,900
Insurance	33,054	25,398	-0-	-0-	-0-	58,452
Facility maintenance and utilities	99,261	17,496	-0-	-0-	-0-	116,757
Depreciation	145,902	2,734	-0-	-0-	-0-	148,636
Miscellaneous	34,762	547,852	-0-	-0-	(518,333)	64,281
In-kind	151,562	-0-	-0-	-0-	-0-	151,562
Total operating expenses	4,332,521	1,860,844	-0-	-0-	(518,333)	5,675,032
Change in unrestricted net assets	(62,586)	(134,849)	-0-	-0-	-0-	(197,435)
<b>Temporarily restricted net assets</b>						
Private grants	102,485	-0-	-0-	-0-	-0-	102,485
Net assets released from restriction	(100,090)	-0-	-0-	-0-	-0-	(100,090)
Change in temporarily restricted net assets	2,395	-0-	-0-	-0-	-0-	2,395
Change in net assets	(60,191)	(134,849)	-0-	-0-	-0-	(195,040)
<b>Net assets</b>						
Beginning of year	3,165,073	(127,175)	168,000	-0-	(168,000)	3,037,898
End of year	\$ 3,104,882	\$ (262,024)	\$ 168,000	\$ -0-	\$ (168,000)	\$ 2,842,858

See Report of Independent Auditors on pages 1 and 2.

**THE DAMIEN CENTER, INC.**

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor Number	Federal Expenditures
<b>Major Program</b>			
<b>Department of Health and Human Services</b> - Pass through the Marion County Health Department HIV Emergency Relief Project Grants	93.914	H89HA11463	\$ 1,416,705
<b>Non-major Programs</b>			
<b>Department of Health and Human Services</b> - Pass through the Indiana State Department of Health HIV Prevention Activities - Health Department Based	93.940	15144, 15148	85,000
<b>Department of Health and Human Services</b> - Pass through the Indiana State Department of Health HIV Care Formula Grant	93.917	16333	223,702
<b>Department of Health and Human Services</b> - Pass through the Marion County Health Department Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00112	294,458
<b>Department of Housing and Urban Development</b> Pass through the City of Indianapolis Emergency Solutions Grant Program	14.231	2719	26,022
<b>Department of Housing and Urban Development</b> Pass through the City of Indianapolis Department of Metropolitan Development Shelter Plus Care	14.238	IN0152C5H031100	331,147
<b>Department of Housing and Urban Development</b> Pass through the City of Indianapolis Department of Metropolitan Development Housing Opportunities for Persons with AIDS	14.241	14379	464,689
Total non-major programs			<u>1,425,018</u>
Total federal expenditures			<u><u>\$ 2,841,723</u></u>

See Report of Independent Auditors on pages 1 and 2.

See accompanying notes to consolidated schedule of expenditures of federal awards.

# THE DAMIEN CENTER, INC.

## NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2016

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### **1. BASIS OF PRESENTATION FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying consolidated schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2016. The information in the consolidated SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the consolidated SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the consolidated SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

### **3. PASS THROUGH TO SUBRECIPIENTS**

No entities received pass-through federal awards from the Organization during 2016.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Damien Center, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 12, 2017



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## **REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Report on Compliance for Each Major Federal Program

We have audited The Damien Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Board of Directors  
The Damien Center, Inc.  
Indianapolis, Indiana

### Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Blue & Co., LLC**

Indianapolis, Indiana  
July 12, 2017

**THE DAMIEN CENTER, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016

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**Section I – Summary of Audit Results:**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal controls over major programs:

Material weakness(es) identified?  yes  none reported

Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported as defined by Uniform Guidance [2 CFR 200.516(a)]?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II:**

**Findings related to financial statements reported in accordance with *Government Auditing Standards* :**

No matters reported

**Section III:**

**Findings and questioned costs relating to Federal awards:**

No matters reported

## THE DAMIEN CENTER, INC.

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2016

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#### **Section IV:**

#### **Summary of Prior Audit Findings**

*Condition:* Finding 2015-001 was a material weakness reported under Section II of the 2015 financial statements and identified material financial statement adjustments which affected the financial statements. The adjustments included recording accrued paid time off, which had not been previously recorded, and acquisition of land which had not been recorded by the proper entity.

*Recommendation:* The prior auditor recommended management review the issue which gave rise to the adjustments and evaluate the current controls and procedures over financial reporting to reasonably ensure all material transactions have been properly reported in accordance with generally accepted accounting principles.

*Current year status:* No similar items were noted during the 2016 audit.